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TO: Darryl Latimer, Deputy Director
Detroit Water & Sewerage Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ly.*

DATE: April 28, 2011

RE: 2011-2012 Budget Analysis (Sewerage Department)

Attached is our budget analysis regarding your department's budget for the upcoming 2011-2012 Fiscal Year.

We would then appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Thomas Lijana, Finance Director
Floyd Stanley, Budget Deputy Director
Ron Chenault, Budget Department Team Leader
Denise Gardner, Mayor's Office

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Sewerage Department (42)

FY 2011-2012 Budget Analysis by the Fiscal Analysis Department

Summary

The Sewerage Department is an Enterprise Agency that is administratively part of the Detroit Water and Sewerage Department (DWSD). It is maintained as a separate fund in the City of Detroit's accounting system.

The Mayor's Proposed Budget for 2011-2012 includes total appropriations and revenues of \$518,681,049, leaving a net tax cost to the City of \$0. This is an increase of \$12,195,377 over the current year's budget of \$506,485,672.

2010-2011 Surplus/Deficit

There is no projected surplus or deficit for the Sewerage Department for fiscal year 2010-2011.

Overtime

The Mayor's Proposed Budget for 2011-2012 includes \$5,913,062 for overtime in the Sewerage Department. This amount is a decrease of \$381,813 than the 2010-2011 budget of \$6,294,875. As of March 31, 2011, the Sewerage Department has expended \$5,839,582 in overtime.

Personnel and Turnover Savings

There are no projected personnel and turnover savings for fiscal year 2011-2012.

Appropriation/Program	Redbook Positions FY 2010-11	Filled Positions 3/31/2011	Mayor's Budget Positions FY 2011-12	Over/(Under) Actual to 10/11 Budget	Mayor's Recommended Turnover
Sewerage (42)					
421030 Document Management	5	5	0	0	\$ -
421070 Safety	3	1	0	(2)	\$ -
421090 Ofc. Of Program Management Asst.	9	13	0	4	\$ -
421095 Capital Management	6	0	6		\$ -
421100 Print Shop	2	2	3	0	\$ -
00089 Administration	25	21	9	(4)	\$ -
425010 Ofc. of Asst. Dir. of Wastewtr. Opns.	6	3	7	(3)	\$ -
425020 Plant Administration	759	562	797	(197)	\$ -
425140 I.W.C. Field Monitoring	112	58	104	(54)	\$ -
425395 Purital / Fenkell	29	0	43	(29)	\$ -
00162 Wastewater Plant Operations	906	623	951	(283)	\$ -
05831 Engineering Services-Sewage	119	71	61	(48)	\$ -
421031 Document Management	0	0	5	0	
421066 Training	0	0	6	0	
421071 Safety	0	0	8	0	
421091 Environmental and Regulatory Affa.	0	0	10	0	

13315 Process and Quality Control Group	0	0	29		
42XXXX Leave of Absence		(6)		(6)	\$ -
42XXXX Worker's Comp.		(2)		(2)	\$ -
42XXXX Unmatched Positions		1		1	\$ -
TOTAL	<u>1,050</u>	<u>708</u>	<u>1,050</u>	<u>(342)</u>	<u>\$ -</u>

Projected Layoffs and Position Changes

There are no proposed layoffs for the Sewerage Department in the Mayor's Proposed Budget for 2011-2012.

Sewerage (42)

Budgeted Professional and Contractual Services by Activity	FY 2010-11 Budget	FY 2011-12 Recommended	Increase (Decrease)
Administrative Services	\$ 2,840,000	\$ 1,477,870	\$ (1,362,130)
Public Affairs Group-Sewerage	\$ -	\$ -	\$ -
IT & System Integration	\$ -	\$ -	\$ -
Financial Services	\$ -	\$ -	\$ -
Asset Management	\$ 9,021,000	\$ 7,245,575	\$ (1,775,425)
Engineering Services-Sewage	\$ -	\$ -	\$ -
Sewer Operations	\$ 23,106,795	\$ 32,765,810	\$ 9,659,015
Sewerage-Capital & Debt Service	\$ -	\$ -	\$ -
Process and Quality Control Serv.	\$ -	\$ 803,188	\$ 803,188
Total	<u>\$ 34,967,795</u>	<u>\$ 42,292,443</u>	<u>\$ 7,324,648</u>

Significant Funding Changes by Appropriation

<u>Appro.</u>	<u>Program</u>	
00089	Administration	The Mayor's Proposed Budget for 2011-2012 includes \$16,071,750 for the Administrative Services of the Sewerage Department, which represents a decrease of \$2,309,959 from the 2010-2011 Budget of \$18,381,709. The decrease is mainly due to a decrease in the Contract Services – Other account of \$1,196,810 and a decrease in Salaries of \$1,012,775.
05831	Engineering Services – Sewage	The Mayor's Proposed Budget for 2011-2012 includes \$2,268,895 for the Engineering Services of the Sewerage Department, which represents a decrease of \$1,252,062 from the 2010-2011 Budget of \$3,520,957. The decrease is mainly due to a decrease in full time salaries of \$2,432,074 and an increase in the fringe transfer clearing account of \$1,485,658 million.

00162	Wastewater Plant Operations	<p>The Mayor's Proposed Budget for 2011-2012 includes \$147,746,422 for Wastewater Plant Operations, which represents an increase of \$6,710,856 from the 2010-2011 budget of \$141,035,566.</p> <p>The increase is partially due to increases of \$9,838,337 in Miscellaneous Contract Services, \$1,127,681 in Employee Benefits – Hospitalization General Retiree, \$844,454 in Salaries, and \$535,446 in Fringe Clearing Transfer Account. These increases are offset by a decrease of \$5,097,716 in Utilities – Gas, \$2,016,263 in Wages and decreases in several other categories.</p>
00168	Interest and Bond Redemption	<p>The Mayor's Proposed Budget for 2011-2012 includes \$210,879,500 for Bond Principle & Interest Redemption Fund, which represents a decrease of \$2,913,200 from the 2010-2011 budget of \$207,966,300.</p>
00169	Sewerage System Improvements	<p>The Mayor's Proposed Budget for 2011-2012 includes \$64,242,000 for Sewerage System Improvements, which represents an increase of \$38,246,200 from the 2010-2011 budget of \$25,995,800.</p> <p>The increase is due to a \$38,246,200 increase in Miscellaneous Expenses.</p>
00443	Extraordinary Repairs and Replacements	<p>The Mayor's Proposed Budget for 2011-2012 includes \$1,763,300 for Extraordinary Repairs and Replacements. This represents an increase of \$1,763,300 from the previous year.</p> <p>The increase is due to an increase of \$1,763,300 in Miscellaneous Expenses.</p>
05735	Sewerage Reserve Deposit	<p>The Mayor's Proposed Budget for 2011-2012 includes \$0 for Bad Debts. This represents a decrease of \$5,000,000 from the previous year.</p> <p>The decrease is due to a decrease of \$5,000,000 in the Bad Debts account.</p>
12139	Sewerage Bond Fund Series 2007	<p>The Mayor's Proposed Budget for 2011-2012 includes \$15,239,000 for Sewerage Bond Fund Series 2007. This represents a decrease of \$31,401,000 from the 2010-2011 budget amount of</p>

\$46,640,000.

The decrease of \$31,401,000 is due to a decrease in Miscellaneous Expenses.

12449	Information Technology & Systems Integration	The Mayor's Proposed Budget for 2011-2012 includes \$12,997,965 for Information Technology & Systems Integration. This represents an increase of \$1,835,395 from the 2010-2011 budget amount of \$11,162,570. The increase is mainly due to an increase in the Expense Clearing Transfer Account of \$1,789,894.
13315	Process and Quality Control Group	The Mayor's Proposed Budget for 2011-2012 includes \$1,297,018 for Process and Quality Control Group. This represents an increase of \$1,297,018 from the 2010-2011 budget amount of \$0. The increase is mainly due to an increase in Salaries of \$916,193, an increase in Contract Services of \$803,188 and a decrease in the Salary Clearing Transfer Account of \$532,174.

Significant Revenue Changes

<u>Revenue</u>	<u>Project</u>	
00838	State Revenue Sharing	<p>The Mayor's Proposed Budget for 2011-2012 includes \$20,147,000 for State Revenue Sharing, which represents a decrease of \$27,313,200 from the 2010-2011 budget of \$47,460,200.</p> <p>The decrease is primarily due to a increase in Earning On Investments of \$4,087,000 and a decrease for Project Borrowings of \$31,401,000 included in the Mayor's 2011-2012 Proposed Budget.</p>
04828	Revenue Sewerage Receiving	<p>The Mayor's Proposed Budget for 2011-2012 includes \$489,216,249 for Revenue-Sewerage Receiving which represents an increase of \$39,325,677 from the 2010-2011 budget of \$449,890,572.</p> <p>The increase is mainly due to an increase of \$22,479,500 in revenue for Sewage Treatment Sales-Retail and an increase of \$18,597,100 in revenue for Sewage Treatment-Wholesale.</p>
00162	Wastewater Plant Operations	The Mayor's Proposed Budget for 2011-2012 includes \$0 revenue for Other Reimbursements.

		This is a decrease of \$432,700 from the 2010-2011 budget of \$432,700.
00168	Interest and Bond Redemption	<p>The Mayor's Proposed Budget for 2011-2012 includes revenue of \$5,455,600, an increase of \$421,200 from the 2010-2011 budget of \$5,034,400.</p> <p>The increase is due to an increase from the earnings on investments.</p>
00169	Sewerage System Improvements	<p>The Mayor's Proposed Budget for 2011-2012 includes \$665,100 in Earnings On Investments, an increase of \$241,600 from the 2010-2011 budget of \$432,500.</p> <p>The increase is due to an increase from the earnings on investments.</p>

Issues and Questions

GENERAL

1. Why is Contract Services-Other Miscellaneous increased \$7.7 million, which is an increase of 23% over the prior year budgeted amount?
2. In the Mayor's Proposed 2011-2012 Budget, Miscellaneous Expenses is budgeted to increase by \$8.7 million. Why is Miscellaneous Expenses expected to increase this much?
3. The Mayor's 2011-2012 Proposed Budget includes revenue of (\$48,051) for Miscellaneous Receipts. This is a decrease of \$2,589,123 from the 2010-2011 budgeted amount of \$2,541,072. Why is there a projected revenue deficit for Miscellaneous Revenues? Why is it expected to decrease by such a large amount?
4. In the Mayor's 2011-2012 Proposed Budget, revenue from sewage treatment sales retail and wholesale are budgeted to increase by \$22.5 million and \$18.6 million respectively. Why are these two revenues expected to increase?
5. Wastewater Plant Operations revenue was budgeted at \$432,700 for 2010-2011. In the Mayor's 2011-2012 Proposed Budget the revenue is budgeted at \$0. What is the reason for the decrease in Other Reimbursements to \$0?
6. Why isn't Bad Debt budgeted for in the Mayor's 2011-2012 Proposed Budget?

7. The Mayor's 2011-2012 Proposed Budget includes the reduction of \$5,330,971 in the Utility – Gas account from the prior years 2010-2011 budget amount of \$17,326,030. What is the reason for the significant decrease in the Utility – Gas expense account?